

Commissioner of Income Tax, Salem v. K. Chinnathamban

Civil Appeal No. 3230 of 2007 / Civil Appeal No. 3231 of 2007 / Civil Appeal No. 3232 of 2007 / Civil Appeal No. 3233 of 2007 / Civil Appeal No. 3234 of 2007 / Civil Appeal No. 3235 of 2007

[2007] 8 SCR 496 | 2007-07-24

Whether unexplained deposits should be assessed in the individual deposit-holders' hands or linked to a supposed firm whose existence and public-deposit explanation were unsupported.

69 | 69A | 133A | 132

Two-judge bench | S.H. Kapadia, J. | B. Sudershan Reddy, J.

Assessment years: See the source-scope notes; no year inferred.

Individual attribution on proved record, not a general relatives rule

The Court rejected an unsupported linkage to an alleged firm and upheld the individual assessments after examining the evidence. It did not hold that every related person's deposit belongs to the assessee. The report moves between sections 69 and 69A and contains differing account descriptions; no full ownership schedule, additional year or criminal finding is invented. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

Following an August 1991 police search and subsequent tax inquiry, approximately Rs 1.18 crore was found in the arrangement associated with V.V. Enterprises. Records were incomplete, and the person managing the activity could not establish the alleged public-deposit sources or genuine partners. The lead individual assessment included Rs 5 lakh of unexplained income in addition to salary. CIT(A) upheld it (paragraphs 3–5).

The Tribunal directed that the amounts be linked with the supposed firm's books, reasoning that members of the public had deposited through relatives and friends. Revenue disputed that factual premise. The common Supreme Court appeals involved six individual respondents; none appeared despite service (paragraphs 4–7).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court found no evidentiary basis for treating the asserted firm and public-deposit account as established. There was no proper registration evidence or reliable set of books, the claimed partners had been described as fictitious, and the sources had not been explained. The proposed linkage was therefore unsupported and not practically capable of compliance (paragraphs 5–7).

For section 69A ownership, the Court referred to the general evidentiary principle considered in Chuharmal and assessed the absence of contrary evidence on the particular facts. Where a deposit is in a related third person's name, the appropriate holder or person whose books show it should be called on to explain. The decision upheld the individual assessments after the inquiry; it did not establish that every relative's deposit automatically belongs to another taxpayer (paragraphs 5–7).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

All six Revenue appeals were allowed without costs. The Court upheld the Department's individual attribution rather than the Tribunal's direction to link the unexplained amounts to the supposed firm. No fresh quantified allocation among all respondents or criminal conviction was ordered (paragraphs 7–8).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Six Revenue appeals allowed; no costs

Final on the identified individual attribution and rejection of the unsupported firm-linkage direction

Depends on missing firm/source evidence and unrebutted individual deposits. No universal family-attribution rule, automatic taxation solely because accounts are incomplete, or independent finding about later conduct.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Identify the legal owner, actual account holder and source evidence for each deposit. A claimed collective business cannot absorb unexplained individual funds merely by assertion; equally, the opportunity and basis for requiring the relevant person to explain matter. Preserve the distinction between a protective assessment and the individual assessments actually sustained.

The source's descriptions of deposits in so-called partners' names and absence of accounts in partners' names do not supply a complete bank-account map. Do not fill that gap with invented ownership or amounts. The case is an evidence-based application of historical unexplained-income provisions, not a current deeming-rate or penalty instruction.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and lead facts

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Cover; connected appeals; 1–4

Source role: reported metadata and judicial text

2.

Topic: Inquiry and disputed firm explanation

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: 4–6

Source role: judicial text

3.

Topic: Ownership/source reasoning and final relief

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: 5–8

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.H. Kapadia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 5 PDF pages; SHA-256

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Complete judicial paragraphs 1–8 on physical pages 2–5/SCR 497–500; preceding headnote excluded. No adjacent judgment.

[Open cited source rendition](#)

Paragraph 4 describes the lead addition under section 69; paragraphs 5–7 analyse ownership and liability under section 69A. Both references are retained rather than silently normalised.; Paragraph 5 first records the manager's statement about FDRs in so-called partners' names, then says the alleged firm/partners had no accounts or deposits in their names and refers to relatives. These are not reconciled into an invented account-holder schedule.; The approximately Rs 1.18 crore figure concerns the wider investigation; the lead Rs 5 lakh is not assigned to every companion appeal.; No assessment year is expressly supplied. The search date is not substituted for an assessment year.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 5](#)

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